


3/8/10

(12)

TOWN OF ACTON

Memo

To: Board of Selectmen
From: Steven L. Ledoux, Town Manager 
CC:

Date: February 5, 2010
Re: Advanced Life Support

BACKGROUND

For years, Advanced Life Support has been provided to the Town of Acton by Emerson Hospital. Starting back in 2005, Emerson has been meeting with the 13 communities served by them and informing us that the ALS service has been a major financial drain on the Hospital. Based on that continual negative cash flow, Emerson has decided to terminate ALS service as of October 1, 2010.

To that end, the area Town Managers and Fire Chiefs have been studying a regional model of ALS, called Central Middlesex Emergency Medical Services Collaborative (CMEMSC)

Because of the decision of Emerson to go out of the ALS business on October 1, they have been losing paramedics to other entities. This has forced them to contract with Pro EMS of Cambridge to run the service until the cutoff date.

SHORT TERM

The changeover to Pro EMS is slated to start on February 14, 2010. A meeting was held of the CMEMSC on February 4, 2010. It has been requested that all participating communities change their billing rate to Medicare plus 200% immediately for both Basic Life Support (BLS) as well as ALS. In addition, each Town is asked to switch to Pro EMS for all billing within 90 days of the switchover. I will be meeting with the CEO of Pro EMS on Monday morning and will hopefully have more information for Monday night.

LONG TERM

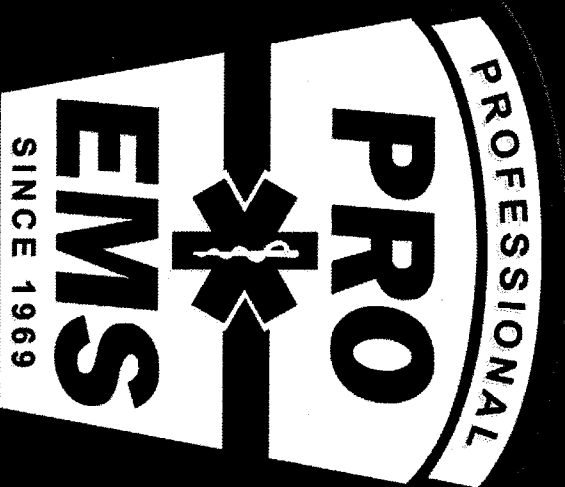
10 of the 13 Emerson area communities have committed to continue to study a regional approach and have been asked by CMEMSC not to enter into any long term contracts until the long term issue has been totally vetted. I support that concept as well but feel that Acton should also weigh the options of contracting on our own as well as possible expanding our own BLS to ALS.

RECOMMENDATION

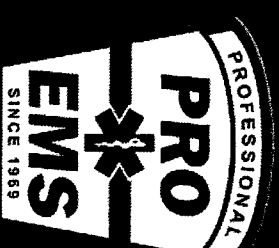
While we are currently billing BLS at Medicare + 50%, it is safe to say that we are much closer to covering our BLS costs at Medicare + 200%. We have been assured by Pro EMS that they have a very humane forgiveness policy and I don't feel like we have much of an option for the short term in regards to ALS. Therefore, my recommendation, pending any new information received from Pro EMS on Monday, is adjust the billing rate to Medicare + 200%, effective 2/14/10 and to continue to work with CMEMSC on a long term solution while evaluating other options such as contracting for ALS services ourselves or upgrading our BLS to ALS.

Central Middlesex Emergency Medical Services Collaborative Financial Models and Issues

Note: All Models and Projections Based on Best Available Data

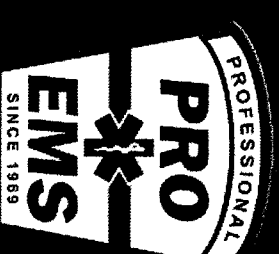


CMEMSC Revenue and Cost Projections



- Need a solution that does not impact current budget projections
- Limited, to no, flexibility on funding of system due to budget rules and Town fiscal procedures
- Not much data available for analysis

Cost of ALS System

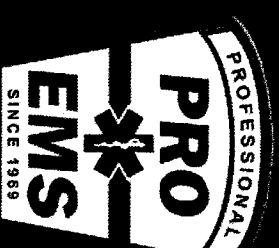


- Emerson FY2008 data used as a benchmark
- Direct Operating Expenses for One (1) Paramedic Intercept Unit = \$828,982
- Overhead Allocation for Two (2) Units = \$625,514
- Plus 3% increase for each fiscal year since

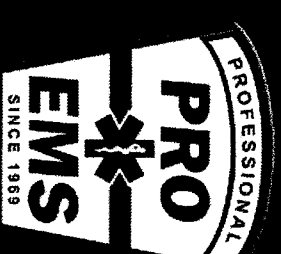
Benchmark cost for Two (2) Paramedic Intercept Units based on FY2008 Numbers Adjusted = \$2,420,487

- Seattle Medic One cost for only one (1) unit is \$2,000,000
- Emerson Loss = \$530,120 on 1 Unit in FY2008 *(Reference: Emerson Hospital)*

Pro Cost Plus 10% after Taxes



- Pro Cost to Run Two (2) Paramedic Intercept Units \$1,750,000
 - 10% after Taxes requires = \$200,000
- Total Capped System Cost of Two (2) Paramedic Intercept Units FY2010 = \$1,950,000
- Request Inflation Factor of 3% per year
- Over 20% reduced cost from Emerson

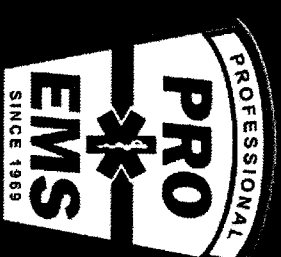


Current Town Transports and Revenue

- Current Transports and Revenue of Ten (10) Participating Towns:
 - Total Transports approx. 6131
 - Total Gross Revenue approx. \$2,770,015
 - Minus Billing Fees 4% = \$111,000
 - Minus Emerson Medicare = \$150,000

Current Ten Town Net Revenue Approx. = \$2,509,015

*Reference Town Reported Data



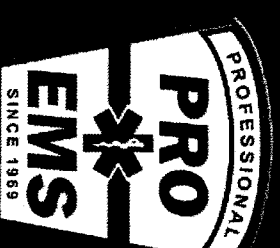
System Revenue Projections

- Ten (10) Town Revenue Projection for New System with Increased User Fees
- Projections based on:
 - 6131 Transports (Should increase)
 - Lower Medicare Reimbursement
 - 50/50 ALS/BLS (We are shooting for higher)
 - 50% private insurance demographic

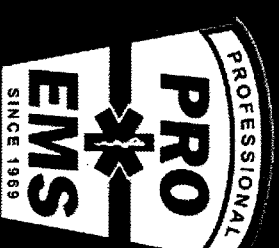
Approximately \$5,034,744

* Reference CMEMSC EMS System Projected Revenue

System Cost for Administration



- System Cost for Administration 4% and does not include ALS private insurance transports. Payment included in private insurance reimbursement for ALS assessments and transports.
- Includes All of the Following:
 - Billing Services for all System Transports
 - Customer Satisfaction Surveys
 - Enhanced Reporting for Operations and Finance
 - Compliance with All Data Reporting Requirements
- Eliminates Electronic Run Reporting for BLS. To be handled by data entry at Pro
- Training optional for each Town at 25% discount
- Services can be increased Town by Town as they go ALS

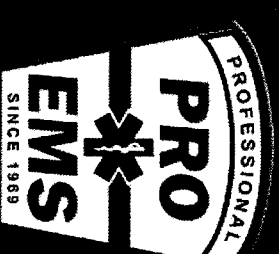


Cost and Revenue Summary

- Projected System Revenue 10 Towns
 - \$5,034,744
- Capped Cost of Two (2) Paramedic Intercept Vehicles
 - \$1,950,000
- System Administration and Billing @ 4%
 - \$115,000
- Current 10 Town Net Revenue
 - \$2,509,015

Projected Gain for Towns = \$460,729

Process



- Pro Bills for All ALS Assessments and Transports of Patients with Private Insurance and keeps all revenue. Revenue Projected = \$2,180,089
 - When Pro hits revenue cap of \$1,950,000 all surplus revenue goes to Towns minus 4% billing fee.
- Pro Billing Service on behalf of Towns for all other transports including ALS Medicare and BLS Private Insurance. Towns keep all revenue.
- Pro and Towns follow same humane collection policies

Advantages



- No Impact to Town Budget Line Items
 - Pro to provide billing and admin services for 4% and it is included in private insurance revenue collected by Pro
- No Money Changing Hands Making Things Harder to Track and Manage
 - No need for \$250 per Medicare ALS or \$450 per ALS assessment for other transports
- No need to change Town Budget procedures at this point
- Future changes, if required, can be done with valid and accurate data

Potential Problems

- Towns Must Change Mindset Based On Increased ALS Capability and Patient Care
- ALS Revenue from Private Insurance Patients is not realized as projected

Can be overcome with increasing call volume and revenue from providing ALS backup to outside communities.

